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August 1, 2002

**FILED**<sup>3</sup>

AUG 01 2002

Missouri Public  
Service Commission

Secretary of the  
Missouri Public Service Commission  
200 Madison Street, Suite 100  
P.O. Box 360  
Jefferson City, Missouri 65102-0360

RE: *In the Matter of the Investigation of the Actual Costs Incurred in Providing Exchange Access Service and the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri;*  
Case No. TR-2001-65

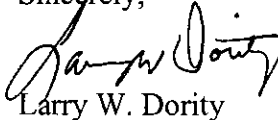
Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Rebuttal Testimony of Steve Brandon on behalf of ALLTELL Missouri, Inc.

Pursuant to the Commission's Order Adopting Procedural Schedule, Clarifying the Scope of this Proceeding, and Concerning Motion to Waive Service Requirement and Motion to Compel Discovery issued on March 14, 2002, a copy of the Rebuttal Testimony of Steve Brandon and this cover letter will be served this date on counsel for all represented parties to the case. A copy of this cover letter will be served this date on all unrepresented parties, who may obtain a copy of the testimony upon request at no cost.

Thank you for your attention to this matter.

Sincerely,

  
Larry W. DORITY

/jr  
Enclosures

cc: Counsel for All Represented Parties of Record w/enclosure  
All Unrepresented Parties of Record w/o enclosure

## CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, First Class, postage prepaid, this 1<sup>st</sup> day of August 2002, to:

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Osage Beach MO 65065

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Houston TX 77057

Computer Business Sciences Inc.  
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Herin IL 63948

Choctaw Communications L.C. d/b/a  
Smoke Signal Communications  
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Dallas TX 75235

Comm S. Companies d/b/a  
Comm South Inc.  
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6830 Walling Lane  
Dallas TX 75382

Delta Phones Inc.  
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Delhi LA 71232

DMJ Communications Inc.  
2525 N. Grandview, Suite 900  
Odessa TX 79761

EZ Talk Communications LLC  
4727 S. Main  
Stanfford TX 74777

Frontier Local Services Inc.  
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Minneapolis MN 55403

Global Crossing Local Services Inc.  
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Intermedia Communications Inc.  
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Tampa FL 33619

KMC Telecom III Inc.  
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Broomfield CO 80021

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Hurdland MO 63547

Max-Tel Communications Inc.  
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Alvord TX 76225

Navigator Telecommunications LLC  
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North Little Rock AR 72113

ExOp of Missouri Inc.  
303 N. Jefferson  
Kearney MO 64060

Fast Connections Inc.  
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Cape Girardeau MO 63702

Logix Communications Corp.  
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Oklahoma City OK 73112

Maxon Inc.  
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Lenexa KS 66215

Missouri Telecom Inc.  
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Monett MO 65708

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Reston VA 20190

NOW Communications Inc.  
713 Country Place Drive  
Jackson MS 39208

The Page Company  
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Kansas City MO 64127

QCC Inc.  
8829 Bond Street  
Overland Park KS 66124

Quintelco Inc.  
1 Blue Hill Plaza  
Pearl River NY 10965

Ren-Tel Communications Inc.  
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Carrollton GA 30117

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Sprint Communications Company LP  
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Kansas City MO 64114

Suretel Inc  
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Oklahoma City OK 73127

TCG St. Louis  
Teleport Communications Group  
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Staten Island NY 10311

Omniplex Communications Group  
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St. Charles MO 63304

Preferred Carrier Service Inc.  
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Dallas TX 75244

Quick-Tel Communications Inc.  
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Boyd TX 76023

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Teleport Communications Group  
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Staten Island NY 10311

Teligent Inc.  
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Vienna VA 22182

Tel-Link LLC  
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Bradenton FL 34205

Tin Can Communications Company LLC  
1063 Wirt Road  
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Houston TX 77005

TranStar Communications LLC  
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Harlingen TX 78551

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13902 N. Dale Mabry, Suite 212  
Tampa FL 33618

Universal Telephone  
2405 E. Pawnee, Suite 10  
Wichita KS 67211

USLD Communications Inc.  
4250 N. Fairfax Drive, Suite 12W002  
Arlington VA 22203

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Washington DC 20036

Worket Communications Inc.  
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Blue Bell PA 19422

Basicphone Inc.  
3512 Mockingbird, Suite D  
Orange TX 77630

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32 Perimeter Center East  
Atlanta GA 30346

Bluestar Networks Inc.  
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Franklin TN 37064

Broadband Office Communications Inc.  
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Falls Church VA 22042

CapRock Telecommunications Corp.  
15601 N. Dallas Parkway, Suite 700  
Addison TX 75001

CAT Communications International Inc.  
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Roanoke VA 24107

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Gladstone MO 64118

CCCMO Inc. d/b/a Connect!  
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Little Rock AR 72203

Compass Telecommunications Inc.  
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Scottsdale AZ 85250

ConnectSouth Communications  
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9600 Great Hill Trail  
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Dial & Save of Missouri Inc.  
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Chesterfield MO 63017

Digital Teleport Inc.  
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dPi-Teleconnect LLC  
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Dallas TX 75234

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Essential.com, Inc.  
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Everest Connections Corporation  
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Deluth GA 30096

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Payroll Advance Inc.  
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Suite 2201  
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Tel-Save Inc. of Pennsylvania  
6805 Route 202  
New Hope PA 18938

TransNational Telecommunications Inc.  
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Suite 440  
San Antonio TX 78217

U.S. TelePacific Corp.  
d/b/a TelePacific Communications  
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Los Angeles CA 90071



Vectris Telecom Inc.  
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Suite 305  
Austin TX 78746

Z-Tel Communications Inc.  
601 S. Harbour Island Blvd.  
Suite 220  
Tampa FL 33602

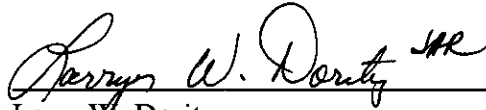
  
Larry W. Dority

EXHIBIT NO:  
ISSUE: OTHER TELEPHONE  
SPECIFIC ISSUES  
WITNESS: STEVE BRANDON  
TYPE OF EXHIBIT: REBUTTAL TESTIMONY  
SPONSORING PARTY: ALLTEL MISSOURI, INC.  
CASE NO.: TR-2001-65  
DATE: AUGUST 1, 2002

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of an Investigation of the )  
Actual Costs Incurred in Providing )  
Exchange Access Service and the Access )  
Rates to be Charged by Competitive Local )  
Exchange Telecommunications )  
Companies in the State of Missouri. )

Case No. TR-2001-65

**FILED<sup>3</sup>**

AUG 01 2002

**REBUTTAL TESTIMONY**

Missouri Public  
Service Commission

**Of**

**STEVE BRANDON**

**On Behalf Of**

**ALLTEL MISSOURI, INC.**

**Jefferson City, Missouri**

**August 1, 2002**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of an Investigation of the )  
Actual Cost Incurred in Providing Exchange )  
Access Service and the Access Rates )  
To be charged by Competitive Local )  
Exchange Telecommunication )  
Companies in the State of Missouri )


Case No. TR-2001-65

AFFIDAVIT OF STEVE BRANDON

STATE OF ARKANSAS )  
 ) SS  
COUNTY OF PULASKI )

I, Steve Brandon, being duly sworn or affirmed, depose and state:

1. My name is Steve Brandon, and I am presently employed as Director of Costs for ALLTEL Communications.
2. Attached hereto and made part hereof for all purposes is my rebuttal testimony in the above captioned case.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

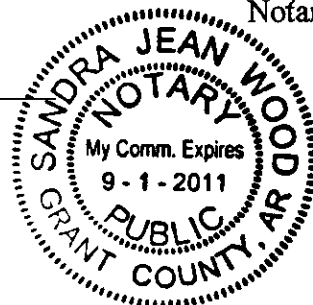
  
\_\_\_\_\_  
Steve Brandon

Subscribed and sworn or affirmed before me this 31st day of July, 2002.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

September 1, 2011



1  
2 **REBUTTAL TESTIMONY OF STEVE BRANDON**  
3

4 **Q. Please state your name, position, and business address.**

5 A. My name is Steve Brandon, my position is Director of Costs for ALLTEL  
6 Communications, Inc., and my business address is One Allied Drive, P.O. Box 2177,  
7 Little Rock, Arkansas, 72202.

8 **Q. Are you the same Steve Brandon who filed direct testimony in this proceeding?**

9 A. Yes.

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of my rebuttal testimony is to respond to direct testimony filed in this  
12 proceeding, particularly that of Staff witness Ben Johnson.

13 **Q. Do you believe that the cost study submitted by Dr. Johnson for ALLTEL Missouri,**  
14 **Inc. (ALLTEL) is a more accurate or appropriate study than the one you prepared**  
15 **and submitted in your direct testimony?**

16 A. No, I do not. The study produced by Dr. Johnson was not based on any ALLTEL specific  
17 costing information. Dr. Johnson's study utilized inputs based on cost studies of  
18 Southwestern Bell Telephone Company, Sprint, and Verizon as surrogate ALLTEL  
19 costs. In the course of this proceeding, ALLTEL prepared responses to a total of seven  
20 (7) data requests from Dr. Johnson, in which a great deal of ALLTEL specific data was  
21 provided. This data included central office equipment investment information, loop cost  
22 information, subscriber quantity information, and demand quantity (minutes of use)  
23 information at an exchange level. A review of the ALLTEL study prepared by Dr.  
24 Johnson shows that none of this data was incorporated in the study. In addition, Dr.  
25 Johnson's general approach to ALLTEL appears to be inconsistent. Dr. Johnson  
26 categorizes ALLTEL throughout his analysis as a "Large ILEC," and yet he recognizes

1 that ALLTEL reflects the same local service characteristics as other small rural ILECs:  
2 “. . . we prepared cost estimates for Alltel and 37 other small rural ILECs. (p. 57). This  
3 follows directly from the lower density, more rural characteristics of the latter two  
4 carriers’ [Alltel and CenturyTel] service area. (p. 119).”

5 **Q. The Commission’s stated purpose in this proceeding is “to investigate all of the**  
6 **issues affecting exchange access service, including particularly the actual costs**  
7 **incurred in providing such service, ...” (Order Clarifying the Scope of this**  
8 **Proceeding, March 14, 2002, emphasis added.) Does Dr. Johnson’s methodology**  
9 **produce a study of actual costs?**

10 A. No, it does not. Dr. Johnson’s study, as indicated above, relies on surrogate costs based  
11 on a statistical analysis of the costs of other LECs. Further, the study itself purports to  
12 identify forward looking costs, which are not representative of costs actually incurred by  
13 a LEC in building and maintaining its existing network.

14 **Q. Do you believe that the cost study you prepared and filed with your direct testimony**  
15 **more accurately reflects ALLTEL’s actual costs than the study prepared by Dr.**  
16 **Johnson?**

17 A. Yes I do. As stated in my direct testimony, ALLTEL’s study reflects ALLTEL specific  
18 costs, rather than relying on surrogates derived from another LEC. Using FCC Parts 36  
19 and 69 Rules allows ALLTEL’s intrastate cost study to be consistent with its interstate  
20 study. Using consistent cost methodologies between state and interstate will prevent  
21 possible rate arbitrage by interexchange carriers.

22 One of the issues in this proceeding is the proper assignment of joint and  
23 common costs to access elements. Part 36 jurisdictional separations procedures  
24 determine what portion of joint and common costs must be recovered from the interstate

1 jurisdiction via interstate access charges, and what portion must be recovered from  
2 revenues received from local telecommunications services, by assigning them in the same  
3 proportion as direct costs. Part 69 rules specify how these costs are recovered through  
4 specific rate elements. This costing methodology has been utilized for many years and is  
5 still adequate for developing access rates.

6 As noted in my Direct Testimony, in comparison with ALLTEL's forecasted  
7 annual allocated cost study for intrastate access, wherein all costs are based on FCC Parts  
8 36 and 69 rules consistent with its interstate analysis, Staff's cost development is based  
9 on 1999 data which utilizes: a) loop costs from an FCC model; b) switching costs from  
10 statistical analysis of line terminations, traffic sensitive, and getting started costs; and c)  
11 transport costs from statistical analysis of per circuit investments.

12 **Q. Do you believe loop costs should be recovered from switched access services?**

13 **A.** Yes. Although some carriers believe that loop costs are incremental to only providing  
14 local service, it is a shared cost of all services. While the FCC is moving to a flat rate  
15 basis through increased subscriber line charges to provide for recovery of loop costs, it  
16 still recognizes that interstate calls account for 25% of loop costs. My opinion is that  
17 state access should also recover 25% of loop costs and local rates should recover 50%.

18 **Q. Does this conclude your testimony?**

19 **A.** Yes.